

YEAR 15 TRANSITION STRATEGIES

ACTION STEPS

Step One: Review the Partnership Agreement for the Option and Right of First Refusal (ROFR) Agreement/Language

Locate and review the Option Agreement and ROFR Agreement (if applicable) for your project and answer the following questions:

1. Does the General Partner or the Sponsor have an **option** to buy:
 - A) The Project? _____
 - B) The Limited Partnership Interest? _____
2. Does the General Partner or the Sponsor have a **ROFR**? _____
3. When can the Option/ROFR be exercised?
 - A.) Option: _____
 - B.) ROFR: _____
4. Does your option and/or ROFR contain a fair market value (FMV) component?
 - A) What is the buy-out formula for the Option?
 - B) What is the buy-out formula for the ROFR?
 - C) If there is a reference to FMV, how is it determined?
5. What use restrictions are in place? What is the term? What percentage (or number) of units are covered? What depth of affordability is required for which units (# or percent)?

Next Steps:

It is essential that your organization's leaders buy into the need to do Transition Strategies planning sooner rather than later, so we recommend attendees meet with the appropriate decision makers to go over the concepts and importance of devoting either internal staff or consultant's time to this process. This work will take time and you must be willing to devote the resources or it will be a reactive rather than a proactive exercise. Sometimes technical assistance grants may be available to carry out this process.

We recommend a property and portfolio approach and then a review with either your accountants/lawyers and or third party consultants familiar with the exit issues.

Quick Transition Strategies Check List:

- Obtain and review all necessary project information including but not limited to the Partnership Agreement, any amendments, most recent audits, tax returns, budgets, capital needs assessments, loan documents, extended use or land use restriction agreements.
- Determine current market position and value of property, estimate capital account balance, exit taxes and capital needs as of potential exit date,
- Review Income (including Section 8 contracts) and expenses with market comparables to evaluate current operations
- Determine rights of the Sponsor under the agreements and analyze cost/benefits of exit options; try and learn the position of the various players in the transaction.
- Develop a disposition strategy to propose to the Limited Partners including anticipated use of the property, use of operating and replacement reserves, debt repayment/restructuring, and handling of exit and transfer taxes.